

**Date:** August 20, 2013

**To:** Thomas J. Bonfield, City Manager  
**Through:** Keith Chadwell, Deputy City Manager  
**From:** Reginald J. Johnson, Director  
Department of Community Development  
**Subject:** Update on Piedmont Rentals Project

This memorandum provides an update on the proposed Piedmont Rentals Project. At its December 17, 2012 meeting, Council approved Durham Community Land Trustees (DCLT) as the tentative project developer. As noted in the original agenda item, DCLT anticipated a \$500,000 forgivable loan from the North Carolina Housing Finance Agency (NCHFA) as one of the project's funding sources. In July, DCLT was notified by the NCHFA that its application for funding was not approved.

The notification letter from NCHFA is attached. The reasons given for the project not being selected for funding is that NCHFA prefers not to be the first project in a redevelopment area given the vulnerable population being served and the fact that there are two projects awarded funding in Durham which have not yet been completed.

CASA was awarded both HOME funds and HUD Continuum of Care funds in 2011 for the development of a 10 unit project off Guess Road primarily serving formerly homeless Veterans. Since the time of the initial funding submittals, an eleventh unit has been added to the project. At the time of the award, CASA had a pending NCHFA application for a portion of the total project cost. CASA was not awarded NCHFA funds in 2011 but re-applied in 2012 and funds were awarded in that round. CASA submitted the site plan for the project in February 2013 with three subsequent resubmittals attributed to the site's high water table and the inclusion of an anticipated second phase. Final site plan approval is contingent on favorable action by the Development Review Board on September 6<sup>th</sup> in considering CASA's request for a reduction in parking requirements. CASA anticipates having all construction drawings approved and building permits issued by mid-September. A June-July 2014 completion date is projected.

DVI received funding from NCHFA in 2011 for its Goley Pointe project and was awarded HUD Continuum of Care funds in 2012. Other funding sources for the project include Replacement Housing Factor and Turnkey III funds (HUD public housing funds) requiring separate approval from HUD. DVI now anticipates starting construction September 30, 2013 with a completion date of June 30, 2014.

Given NCHFA's position that both projects should be completed and occupied before funding additional units in Durham, it is questionable whether a successful application could be submitted in 2014. Additionally, as reported by the Department in 2011, Durham has historically received a disproportionate share of NCHFA Supportive Housing funding. At that

time, only Wake County with 9.93% of all supportive housing funding received exceeded Durham County's 8.44% despite the fact that Wake's population is more than three times larger.

DCLT is submitting an application to the Federal Home Loan Bank (FHLB) of Pittsburgh as an alternative to NCHFA funding. That application is due in August and awards will be announced in December. As with all other sources of funding for affordable housing, FHLB funding is very competitive and there is no way to predict the application outcome.

Should DCLT be successful in obtaining the remaining required funds from the FHLB, the Department will bring back to Council the fully developed project proposal, refined cost estimates and associated recommendations to award funds and transfer ownership of the properties. Should DCLT not be successful, the Department will bring back to Council an alternative recommendation for moving forward. As noted in supplemental information previously submitted to Council, one alternative is to use the properties as a continuation of the pending homeownership development in Southside.